

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 EURE-00 EB-11 MC-02 COME-00 PM-09 L-03

H-02 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01

USIA-12 PRS-01 TRSE-00 SS-15 NSC-10 RSR-01 /106 W
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P R 141722 Z MAY 73

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 5747

INFO AMEMBASSY PARIS

AMEMBASSY ROME

C O N F I D E N T I A L MADRID 2639

E. O. 11652: GDS

TAGS: ETRD, SP, FR

SUBJECT: HELICOPTERS FOR SPANISH MILITARY- FRENCH ATTEMPTS TO
CAPTURE THE MARKET.

1. AS DEPTS STATE AND COMMERCE AWARE SPANISH ARMY HAS OPENED
TENDER FOR PURCHASE 12 LIGHT OBSERVATION HELICOPTERS. EMBASSY IS
AWARE SPANISH ARMY STAFF INVESTIGATIONS HAVE DETERMINED THAT THE
BELL OH-58 IS PREFERRED ALTHOUGH PRICE MAY BE A LITTLE HIGH. SAME
UNIT AVAILABLE BELL LICENSEE ITALY AT LOWER PRICE BUT WITHOUT
FULL LOGISTIC SUPPORT WHICH WOULD BE AVAILABLE FROM US ON FMS
TRANSACTION.

2. LIKELIHOOD US WINNING AWARD SERIOUSLY REDUCED AS RESULT PRESSURE
EXERTED ALLEGEDLY FOR POLITICAL REASONS BY AIR AND FOREIGN AFFAIRS
MINISTERS UPON ARMY TO ACCEPT FRENCH OFFER OF GAZELLE HELICOPTER
AND POSSIBILITY SPAIN
JOINING FRENCH- LED CONSORTIUM FOR HELICOPTER PRODUCTION.
PRESSURE TO JOIN FRENCH CONSORTIUM LIKEWISE COMING FROM
FOREIGN AFFAIRS. MINISTER. SPAIN IN FRENCH CONSORTIUM WOULD
PRACTICALLY PRECLUDE SPANISH PURCHASE US HELICOPTERS IN FUTURE.

3. BY WAY OF BACKGROUND THERE ARE TWO WOULD- BE EUROPEAN
CONSORTIA
FOR HELICOPTERS PRODUCTION COURTING SPANISH:
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ONE LED BY FRENCH POSSIBLY IN PARTNERSHIP WITH BRITISH, THE OTHER AN ITALIAN- GERMAN GROUP IN WHICH ON ITALIAN SIDE IS BELL LICENSEE AND ON GERMAN SIDE FIRM IN WHICH BOEING REPORTEDLY HAS EQUITY PARTICIPATION. OPERATIVE UNIT IN SPAIN EXPECTED TO WORK WITH EITHER CONSORTIUM WOULD BE CONSTRUCCIONES AERONAUTICAS S. A. (CASA). EMBASSY SOURCES ADVISED CASA PREFERS ITALIAN- GERMAN GROUP BUT MANAGEMENT WILL BE UNABLE RESIST POLITICAL PRESSURE FROM AIR MINISTER IF SUCH PRESSURE PERSISTS.

4. CURRENT HELICOPTER PURCHASE AND CONSORTIUM ISSUE INTIMATELY RELATED. IF POLITICAL EFFORTS IN FAVOR FRENCH SUCCESSFUL PURCHASE OF HELICOPTERS WOULD BE FIRST STAGE OF FRENCH- SPANISH CO- PRODUCTION PROGRAM. AT LEAST FOR NOW BELL HELICOPTERS WOULD BE SOURCED IN US WITH LITTLE OR NO CO- PRODUCTION POSSIBILITIES FOR THIS CONTRACT. WHILE SPAIN' S JOINING OF EUROEPAN HELICOPTER CONSORTIUM AND IMMEDIATE SALE OF OBSERVATION HELICOPTERS ARE SEPARATE WITH SPAIN IN FRENCH- BRITISH CONSORTIUM US WOULD PROBABLY LOSE ORDE CURRENTLY BEING NEGOTIATED AND BE CUT OUT OF FUTURE ORDERS FOR GENERAL PURPOSE OR HEAVY LIFT HELICOPTERS. EMBASSY WOULD, OF COURSE, PREFER THAT SPAIN NOT JOIN EITHER CONSORTIUM IN ORDER THAT SALES COULD BE SOURCED FROM US IN FUTURE THEREBY MAXIMIZING BALANCE OF PAYMENTS BENEFITS. UNFORTUNATELY, HOWEVER, IT APPEARS SPAIN WILL JOIN ONE AND ITALIAN- GERMAN WOULD PERMIT US ENTRY TO SPANISH MARKET THROUGH BELL AND BOEING CHANNELS. EMBASSY ATTEMPTING DO WHATEVER POSSIBLE TO COUNTER POLITICAL PRESSURES BUT IT APPEARS ADDITIONAL EFFORTS FROM US INDUSTRY NECESSARY. EMBASSY WILL APPRECIATE BEING ADVISED REGARDING BELL AND BOEING' S REACTIONS TO SPANISH PARTICIPATION IN EUROPEAN HELICOPTER CONSORTIUM AND SUGGESTIONS AS TO EFFORTS WHICH THEY AND POSSIBLY OTHER MEMBERS HELICOPTER INDUSTRY PREPARED TO TAKE IN CONJUNCTION WITH EMBASSY IN ORDER DEFEND US INTERESTS. RIVERO

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